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SENATE

{ REPORT
{ No. 2511

REDUCTION IN DUTY ON CALCINED BAUXITE AND EX- CEPTION FROM DUTY OF ENGELMANN SPRUCE LUMBER

SEPTEMBER 7 (legislative day, JULY 20), 1950.—Ordered to be printed

Mr. GEORGE, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 5226]

The Committee on Finance, to whom was referred the bill (H. R. 5226) to amend paragraph 207 of the Tariff Act of 1930, having considered the same, report favorably thereon with amendments and recommend that the bill, as amended, do pass.

The amendments are as follows:

Amend the title of the bill so as to read:

An Act to amend paragraph 207 of the Tariff Act of 1930 and section 3424 (a) of the Internal Revenue Code.

At the end of the bill add the following new section:

SEC. 2. (a) The last sentence of section 3424 (a) of the Internal Revenue Code (relating to the exemption of certain lumber from the import tax) is hereby amended by striking out "and Western white spruce" and inserting in lieu thereof "Western white spruce, and Engelmann spruce".

(b) The amendment made by this section shall be applicable with respect to lumber entered for consumption or withdrawn from warehouse for consumption on or after the tenth day following the date of the enactment of this Act.

PURPOSE

Calcined bauxite is not specified by name in the Tariff Act of 1930 and as a result is presently classified for tariff purposes under paragraph 214 of the Tariff Act under the provision for "Earthy or mineral substances wholly or partly manufactured * * * not specially provided for." The original duty of 30 percent ad valorem imposed under paragraph 214 was reduced to 15 percent ad valorem by the general agreement on tariffs and trade, with the result that calcined bauxite now enters the United States at a rate equivalent to from \$2.25 to \$3 per long ton. The purpose of this bill is to establish a

specified rate of \$1 per long ton for calcined bauxite imported for use in the manufacture of firebrick or other refractories.

Engelmann spruce lumber closely resembles and is not readily distinguishable from lumber of Western white spruce. Imported lumber of the latter species was exempted from the import-excise tax by the Revenue Act of 1938. The purpose of the committee amendment is to make both species subject to the same tariff treatment.

GENERAL STATEMENT

Calcined bauxite is made by heating crude bauxite to a high temperature in a kiln to drive off chemically combined and mechanically held water. The calcined bauxite used for making refractories is produced from a grade of crude bauxite that is not available domestically. The imported calcined bauxite used for refractories will conserve the domestic supply of diaspore, a scarce material occurring domestically only in the State of Missouri.

The Acting Secretary of Commerce advised as follows:

Until the present time, diaspore clay, situated near the firebrick plants, has been used for firebrick. I understand, however, that the supply of diaspore clay is approaching exhaustion and that calcined bauxite will, in the future, have to be substituted.

An indication of the importance of the firebrick industry can be ascertained from the following figures on the amount of diaspore clay produced in Missouri:

	<i>Short tons</i>
1945.....	20,635
1946.....	44,434

This data points to the potential use of calcined bauxite, when the diaspore clay becomes unavailable. A reduction of import duty would, therefore, be of some significance to this industry.

My attention has been called to no information pointing to an adverse effect upon domestic suppliers should this legislation be enacted and, therefore, I would have no objection to this bill.

The Treasury Department has indicated that there would be no unusual administrative difficulties if the bill were enacted.

The views of the United States Tariff Commission respecting the exemption of Engelmann spruce from the import tax imposed by section 3424 of the Internal Revenue Code, are expressed in the following letter directed to the House Ways and Means Committee on an identical measure (H. R. 4430) introduced in the House of Representatives.

UNITED STATES TARIFF COMMISSION,
Washington, June 7, 1949.

MEMORANDUM FOR THE WAYS AND MEANS COMMITTEE OF THE HOUSE OF REPRESENTATIVES ON H. R. 4430, EIGHTY-FIRST CONGRESS, A BILL WHICH PROPOSES TO EXEMPT IMPORTED ENGELMANN SPRUCE LUMBER FROM THE IMPORT-EXCISE TAX IMPOSED UNDER THE PROVISIONS OF SECTION 3424 (A) OF THE INTERNAL REVENUE CODE

H. R. 4430 proposes to exempt Engelmann spruce lumber from the import tax imposed by section 3424 (a) of the Internal Revenue Code.

Engelmann spruce lumber closely resembles and is not readily distinguishable from lumber of Western white spruce. Imported lumber of the latter species was exempted from the import-excise tax by the Revenue Act of 1938. The enactment of H. R. 4430 would make both species subject to the same tariff treatment.

Imported lumber of Engelmann spruce is now subject to a customs duty of 25 cents per thousand board feet and to an import-excise tax of 75 cents per thousand

board feet, or a total combined duty and tax of \$1.¹ As originally imposed under the Tariff Act of 1930 and the Revenue Act of 1932, the customs duty and import-excise tax were, respectively, \$1 and \$3 per thousand board feet. They were reduced to 50 cents and \$1.50 per thousand board feet in the first trade agreement with Canada, effective January 1936, and further reduced to their present levels in the Geneva agreement, effective January 1948.

Engelmann spruce grows in the Rocky Mountain regions of the United States and Canada, and also in eastern Washington and Oregon. Production of lumber of this species in the United States is relatively small; it is cut largely for local consumption in places where preferred woods, such as ponderosa pine, Douglas fir, and western white pine, are not available. It is used principally in the manufacture of boxes and in building construction for subflooring, sheathing, and studding. United States output amounted to 78,000,000 board feet in 1942 and reached a peak of 102,000,000 board feet in 1947. Colorado, Idaho, Utah, Wyoming, and Montana are the leading producing States.

Canada is the sole source of imports. Imports are not separately reported in official statistics. They are undoubtedly small, however; it is estimated that they did not exceed 7,000,000 board feet in 1948. This is a very small proportion of total United States imports of spruce lumber of all kinds. The stand of Engelmann spruce timber in Canada is somewhat greater than that in the United States, but data are not available as to Canadian lumber production of this species.

The removal of the import-excise tax would result in Engelmann spruce lumber being subject only to the customs duty of 25 cents per thousand board feet. Definite information as to the foreign value of imported lumber of this species is not available, but it is probable that the combined duty and tax of \$1 per thousand board feet is equivalent to not more than 1½ or 2 percent ad valorem, and the duty of 25 cents alone, if the tax were removed, would be equal to not more than one-half of 1 percent. The present duty of 25 cents per thousand board feet on lumber of western white spruce, based on the average foreign value of imports of that species in the first 3 months of 1949, is equivalent to four-tenths of 1 percent ad valorem.

The tax on the approximately 7,000,000 board feet of Engelmann spruce lumber estimated to have entered the United States in 1948 would have amounted to slightly more than \$5,000. This amount is small relative to total revenue and, as indicated above, it is very small in relation to the value of lumber imports. Whether or not there is a classification problem of sufficient importance to make legislation desirable is a matter on which the committee may wish to obtain the advice of the Customs Bureau.

The Treasury Department advises the enactment of the committee amendment would obviate certain administrative difficulties now being encountered since it would no longer be necessary for customs officials to ascertain whether the imported lumber was Engelmann rather than Western white spruce and, therefore, favors the enactment of the proposed amendment.

CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets; new matter is printed in italics; existing law in which no change is proposed is shown in roman):

TARIFF ACT OF 1930

TITLE I—DUTIABLE LIST

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PAR. 207. Clays or earths, unwrought and unmanufactured, including common blue clay and Gross-Almerode glass pot clay, not specially provided for, \$1 per ton; wrought or manufactured, not specially provided for, \$2 per ton; bentonite,

¹ Duty and tax were suspended because of the housing emergency from October 26, 1946, to August 15, 1947, by virtue of presidential proclamation No. 2708.

unwrought and unmanufactured, \$1.50 per ton; wrought or manufactured, \$3.25 per ton; china clay or kaolin, \$2.50 per ton; crude feldspar, \$1 per ton; bauxite, crude, not refined or otherwise advanced in condition in any manner, \$1 per ton; *bauxite, calcined, when imported to be used in the manufacture of firebrick, or other refractories, under such regulations as the Secretary of the Treasury shall prescribe, \$1 per ton*; fuller's earth, unwrought and unmanufactured, \$1.50 per ton; wrought or manufactured, \$3.25 per ton; clays or earths artificially activated with acid or other material, one-fourth of 1 cent per pound and 30 per centum ad valorem; silica, crude, not specially provided for \$3.50 per ton; fluorspar, containing more than 97 per centum of calcium fluoride, \$5.60 per ton; containing not more than 97 per centum of calcium fluoride, \$8.40 per ton; sand containing 95 per centum or more of silica and not more than six-tenths of 1 per centum of oxide of iron and suitable for use in the manufacture of glass, \$2 per ton.

INTERNAL REVENUE CODE

CHAPTER 29—MANUFACTURERS' EXCISE AND IMPORT TAXES

SUBCHAPTER B—IMPORT TAXES

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Sec. 3424. Lumber.

(a) Lumber, rough, or planed or dressed on one or more sides, except flooring made of maple (except Japanese maple), birch, and beech, \$3 per thousand feet, board measure; but the tax on the articles described in this section shall apply only with respect to the importation of such articles. The tax imposed by this subsection shall not apply to lumber of Northern white pine (*pinus strobus*); Norway pine (*pinus resinosa*), [and Western white spruce] *Western white spruce*; and *Engelmann spruce*.

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